

## **GUIDE TO MANAGEMENT IDEAS AND GURUS**

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# **GUIDE TO MANAGEMENT IDEAS AND GURUS**

**Tim Hindle**

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# Introduction

This book provides a short introduction to the management concepts that have most influenced companies over the past century or so, and to some of the more influential people behind them. These people and their ideas are no longer confined to the pages of learned management journals or to the lecture halls of prestigious business schools. Many are mentioned nowadays in the pages of the everyday business press and in general-management training material. Yet few of them are familiar to the average person in an office.

The popularity of these ideas changes over time. They are subject to fashion like everything else. Not long ago the Japanese concept of *kaizen*, or slow gradual improvement, was being studied intensively by managers in the West. But nowadays no one literally has time for *kaizen*. Change it seems is happening so rapidly that only big breakthroughs and dramatic outcomes will do. Even Toyota itself, the epitome of *kaizen*, has declared its allegiance to *kakushin*, the Japanese version of dramatic change.

Bain & Company, a Boston-based consulting firm, provides a barometer of that change in the shape of an annual survey of the most popular management ideas. In 1997, strategic planning, mission and vision statements, and benchmarking headed its list; in 2007, ten years on, strategic planning kept the top slot. But, reflecting today's sharper focus on customers, CRM (customer relationship management) and customer segmentation came second and third. As ideas drop in and out of fashion, the need to update a book like this increases.

The final selection of ideas and gurus included here was inevitably a personal one. There are 54 gurus in the book, but there could as easily be 154. A small band of them appears in virtually all such lists – a band that is more or less confined to what can be called the “Famous Five”: Peter Drucker, Douglas McGregor, Michael Porter, Alfred Sloan and Frederick Winslow Taylor.

Most of these lists are produced by business magazines and management writers like me. But one such list stands out from the rest. In 2003, *Harvard Business Review* asked gurus themselves to name their favourite guru, and they came up with an interestingly different selection – which is not so surprising since it is not unlike asking those shortlisted for the Turner Prize to name their favourite painter. Although the gurus placed

Peter Drucker (predictably) at the top, they put James March in second place and Herbert Simon in third. Tom Peters was nowhere to be seen.

Around my famous five swirl others who have come and gone with the years. In the 1980s, for example, the Japanese had their moment of glory when Kenichi Ohmae, Akio Morita and Japan's adopted Americans, W. Edwards Deming and Joseph Juran, were treated like the Delphic oracle itself. Then there was a moment when Europeans seemed about to burst into vogue – people like Yves Doz (French), Geert Hofstede and Manfred Kets de Vries (Dutch), and Charles Handy (Irish). But then they too faded somewhat, overshadowed again by Americans, who have persistently dominated the field. Out of my list of 54, 34 of them have American nationality. There are more Mormons on the list than there are Britons.

The rising stars having their moment now are Indian, albeit Indians with one foot in the West. C.K. Prahalad was born in Madras, but did much of his early work with Gary Hamel, an American, at the University of Michigan; Sumantra Ghoshal, though born in Calcutta, died in the UK while working at London Business School; and both Pankaj Ghemawat (at IESE) and Rakesh Khurana (at Harvard Business School) were born in India. In the next decade it may be a field that the Chinese, or perhaps even the Russians, turn their minds to. This opens up endless possibilities for new entries in later editions of this book, perhaps on Mahjong strategy or on Gary Kasparov and chessmaster leadership.

There is occasional overlap between gurus and ideas. Just a few men have come to be associated with a single idea – people like Robert Kaplan and the balanced scorecard, for instance, or Dave Ulrich and human resources transformation. Many more of them, however, have been remarkably broad in their thoughts, distinguished particularly for their way of expressing them. In some cases they “own” ideas because they were the first to name them. People like Ted Levitt, Alvin Toffler, William Whyte and even Peter Drucker have shone almost as much for their illuminating writing as for what they were writing about.

For management ideas are rarely rocket science. As GE's Jack Welch once said:

*An idea is not necessarily a biotech idea. That's the wrong view of what an idea is. An idea is an error-free billing system. An idea is taking a process that used to require six days to do and getting it done in one day.*

Both the gurus and the ideas in this book can be grouped more or less

into one or other of what have been the two main streams of management thinking at least since Noah employed carpenters near Ararat to build him an ark: the idea that management is a science – represented most notably by F.W. Taylor’s ideas about “scientific management” – and the idea that management is about motivating – represented most memorably perhaps by Douglas McGregor’s Theory Y. This divide also accounts for the two main disciplines that management gurus come from: social science, represented by Elton Mayo, McGregor, Abraham Maslow and Elliott Jaques; and engineering, represented by Taylor, Michael Porter, Michael Hammer and Taiichi Ohno.

This book is designed to lead the interested reader on to further learning through the reading lists that are attached to many of the entries. My original aim was to compile the 100 greatest management ideas and the 100 greatest gurus of the 20th century, an average of one big thought and one big thinker per year being about as much as anyone could hope for. It might have answered the question, who would have won the Oscars (one per year for best thought and one per year for best thinker) throughout the 20th century. A prize which should perhaps be called a Winslow. But it was a list too long for a single tome.

Lastly, I would like to thank Stephen Brough at Profile Books for believing with me that there was a market for a product like this. And I would also like to thank all the management thinkers and writers referred to in the book. Unfortunately, many of them have suffered from the volumes of mumbo-jumbo that are published as management wisdom every year and that give their genre a bad name. But the fun in writing this book came from the fact that the best of them throw extraordinary flashes of insight on the way that most of us spend the greater part of our waking days. If the book has mirrored just a few of those flashes it will have achieved its aim.

Tim Hindle  
*May 2008*

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PART ONE  
**MANAGEMENT IDEAS**

## Active inertia

This is an idea closely identified with Donald Sull, an associate professor at London Business School and a rising star in a new generation of management gurus. Educated almost exclusively at Harvard (first degree, doctorate and MBA), Sull worked in consulting (with McKinsey & Company) and private equity (with Clayton, Dubilier & Rice) before moving to an academic career.

At the core of his idea is the observation that managers often get stuck in a rut, so when an entirely new situation arises they revert to old responses. Active inertia, Sull says, is “management’s tendency to respond to the most disruptive changes by accelerating activities that succeeded in the past”.

He quotes the example of tyre company Firestone’s response to the introduction by Michelin of radial technology. Instead of embracing the new technology and all the changes that it implied, Firestone undertook more of the activities that had worked for it in the past, in the pre-radial era – extending its existing technology, making more tyres on existing equipment and keeping old factories working at full throttle. As Sull puts it, “It just dug itself an even deeper hole.”

When managers are in a hole, they should stop digging. Instead, like a car stuck in the mud, they keep the engine turning as if they are on a normal road. They do this partly because they “equate inertia with inaction”. But inaction does not have to mean that nothing is going on. When troops are not in battle, they keep themselves in a state of active preparedness. Companies should do likewise.

The focus of Sull’s research has been successful companies in uncertain markets. Over a six-year period he monitored more than 20 pairs of comparable companies in a number of what he calls unpredictable industries (telecommunications and software, for example) in unpredictable markets (China, in particular). What he found was that the more successful of each pair consistently responded “more effectively to volatile factors that influenced performance, such as unexpected shifts in regulation, technology, competition and macroeconomics”. They did not behave like Firestone. Rather, they exemplified what Sull calls “active waiting”, a strategy that he explains as “anticipating and preparing for opportunities and threats that executives can neither fully predict nor control”.

We all know the power of waiting quietly for the right moment to pounce upon an opportunity. But Sull's idea is that waiting does not have to be quiet. While they are waiting there are lots of useful things that companies can do – build up a war chest, for instance, streamline operations, carry out scenario planning (see page 157), and so on.

To avoid active inertia, Sull says leaders should not march “headlong toward a well-defined future”. Instead, they should “articulate a fuzzy vision ... a fuzzy vision works because it provides a general direction and sets aspirations without prematurely locking the company into a specific course of action”.

**Further reading**

Sull, D., *Revival of the Fittest*, Harvard Business School Press, 2003

Sull, D., “Strategy as Active Waiting”, *Harvard Business Review*,  
September 2005

Sull, D., *Made in China*, Harvard Business School Press, 2005

## Activity-based costing

**A**ctivity-based costing (ABC) is a method of assigning costs to products or services based on the resources that they consume. Its aim, *The Economist* once wrote, is “to change the way in which costs are counted”.

ABC is an alternative to traditional accounting in which a business's overheads (indirect costs such as lighting, heating and marketing) are allocated in proportion to an activity's direct costs. This is unsatisfactory because two activities that absorb the same direct costs can use very different amounts of overhead. A mass-produced industrial robot, for instance, can use the same amount of labour and materials as a customised robot. But the customised robot uses far more of the company engineers' time (an overhead) than does the mass-produced one.

This difference would not be reflected in traditional costing systems. Hence a company that makes more and more customised products (and bases its pricing on historic costings) can soon find itself making large losses. As new technologies make it easier for firms to customise products, the importance of allocating indirect costs accurately increases.

Introducing activity-based costing is not a simple task – it is by no means as easy as ABC. For a start, all business activities must be broken down into their discrete components. As part of its ABC programme, for example, ABB, a Swiss-Swedish power company, divided its purchasing activity into things like negotiating with suppliers, updating the database, issuing purchase orders and handling complaints.

Large firms should try a pilot scheme before implementing the system throughout their organisation. The information essential for ABC may not be readily available and may have to be calculated specially for the purpose. This involves making many new measurements. Larger companies often hire consultants who are specialists in the area to help them get a system up and running.

The easy approach is to use ABC software in conjunction with a company's existing accounting system. The traditional system continues to be used as before, with the ABC structure an extra to be called upon when specific cost information is required to help make a particular decision. The development of business accounting software programs has made the introduction of activity-based costing more feasible.

Setting up an activity-based costing system is a prerequisite for improving business processes and for any re-engineering programme (see page 25). Many firms also use ABC data for the measures required for a balanced scorecard (see opposite).

Activity-based costing became popular in the early 1980s largely because of growing dissatisfaction with traditional ways of allocating costs. After a strong start, however, it fell into a period of disrepute. Even Robert Kaplan (see page 259), a Harvard Business School professor sometimes credited with being its founding father, has admitted that it stagnated in the 1990s. The difficulty lay in translating the theory into action. Many companies were not prepared to give up their traditional cost-control mechanisms in favour of ABC.

In 2007 Kaplan brought out a new book that tried to make activity-based costing easier. Called TDABC (time-driven activity-based costing), it attempted to relate the measurement of cost to time. As Kaplan put it, only two questions need to be answered in TDABC:

- How much does it cost per time unit to supply resources for each business process?
- How much time is required to perform the work needed for a company's products, transactions and customers?

Nevertheless, ABC has many satisfied customers. Chrysler, an American car manufacturer, claims that it saved hundreds of millions of dollars through a programme that it introduced in the early 1990s. ABC showed that the true cost of certain parts that Chrysler made was 30 times what had originally been estimated, a discovery that persuaded the company to outsource (see page 143) the manufacture of many of those parts.

### **Further reading**

Kaplan, R.S. and Cooper, R., "Make Cost Right: Make the Right

Decisions", *Harvard Business Review*, September–October 1988

Kaplan, R.S. and Cooper, R., *Cost and Effect: Using Integrated Cost Systems to Drive Profitability and Performance*, Harvard Business School Press, 1997

Kaplan, R.S. and Anderson, S., *Time-Driven Activity Based Costing*, Harvard Business School Press, 2007

Ness, J.A. and Cucuzza, T.G., "Tapping the Full Potential of ABC", *Harvard Business Review*, July–August 1995

## Balanced scorecard

Robert Kaplan (see page 259) seems to come up with one big idea per decade. In the 1980s it was activity-based costing (see page 9); in the 1990s it was the balanced scorecard.

The idea was first set out in an article that Kaplan wrote in 1992 for *Harvard Business Review*, along with David Norton, president of a consulting firm. The article, entitled “The Balanced Scorecard – Measures that Drive Performance”, began with the principle that what you measure is what you get. Or, as the great 19th century English physicist Lord Kelvin put it: “If you cannot measure it, you cannot improve it.”

If you measure only financial performance, then you can hope only for improvement in financial performance. If you take a wider view, and measure things from other perspectives, then (and only then) do you stand a chance of achieving goals other than purely financial ones.

In particular, Kaplan and Norton suggested that companies should consider the following:

- **The customer’s perspective.** How does the customer see the organisation, and what should the organisation do to remain that customer’s valued supplier?
- **The company’s internal perspective.** What are the internal processes that the company must improve if it is to achieve its objectives vis-à-vis customers, shareholders and others?
- **Innovation and improvement.** How can the company continue to improve and to create value in the future? What should it be measuring to make this happen?

The idea of the balanced scorecard was embraced with enthusiasm when it first appeared. Companies were frustrated with traditional measures of performance that related only to the shareholders’ point of view. That view was seen as unduly short-termist and too concerned with stockmarket twitches; it prevented boardrooms and managers from considering longer-term opportunities. The balanced scorecard not only broadens the organisation’s perception of where it stands today, but it also helps it to identify things that might guarantee its success in the future.

Kaplan and Norton saw the benefits of the balanced scorecard as follows:

- It helps companies to focus on what needs to be done to create a “breakthrough performance”.
- It acts as an integrating device for a variety of often disconnected corporate programmes, such as quality, re-engineering, process redesign and customer service.
- It translates strategy into performance measures and targets.
- It helps break down corporate-wide measures so that local managers and employees can see what they need to do to improve organisational effectiveness.
- It provides a comprehensive view that overturns the traditional idea of the organisation as a collection of isolated, independent functions and departments.

### **Further reading**

Kaplan, R.S. and Norton, D.P., “The Balanced Scorecard – Measures that Drive Performance”, *Harvard Business Review*, January–February 1992

Kaplan, R.S. and Norton, D.P., *The Balanced Scorecard: Translating Strategy into Action*, Harvard Business School Press, 1996

Kaplan, R.S. and Norton, D.P., “Using the Balanced Scorecard as a Strategic Management System”, *Harvard Business Review*, 1996, reproduced July/August 2007

Niven, P.R., *Balanced Scorecard Step-by-Step: Maximizing Performance and Maintaining Results*, John Wiley & Sons, 2002; 2nd edn, 2006

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PART TWO  
**MANAGEMENT GURUS**

# Igor Ansoff

BORN: 1918

DIED: 2002

NATIONALITY: American

## **Notable publications**

*Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion*, McGraw-Hill, 1965

*Strategic Management*, Wiley, 1979; republished 2007

## **Notable quotations**

*Paralysis by analysis.*

*I begged, borrowed and stole concepts and theoretical insights from psychology, sociology and political science. And I attempted to integrate them into a holistic explanation of strategic behaviour.*

(About his book, *Strategic Management*)

## **Background**

Igor Ansoff was the father of modern strategic thinking. When Gary Hamel (see page 245) referred to the origins of corporate strategy he paid Ansoff an indirect compliment: “Strategy didn’t start with Igor Ansoff, neither did it start with Machiavelli,” he wrote. “It probably did not even start with Sun Tzu. Strategy is as old as human conflict.” In other words, Ansoff came of a great line passing through Machiavelli and Sun Tzu.

Born in Vladivostok of a Russian mother and an American diplomat father, Ansoff spent the first 18 years of his life in Russia before moving to New York, where he studied mechanical engineering and physics. In 1950 he joined the Rand Corporation, an influential think-tank of the time, where he worked on strategic problem-solving for NATO, developing theories that he subsequently came to apply to business.

He then worked for Lockheed, an aerospace company, and became a vice-president before moving on in 1963 to become an academic, first at the Carnegie Institute of Technology in Pittsburgh, then as founding dean of the Graduate School of Management at Vanderbilt University in Nashville, Tennessee.

Ansoff's 1965 book on corporate strategy, the first to concentrate solely on the subject, was described by Henry Mintzberg (see page 275), a consistent critic of Ansoff, as "the most elaborate model of strategic planning [see page 173] in the literature". Although it started with a simple aim, "to produce a resource-allocation pattern that will offer the best potential for meeting the firm's objectives", it soon got too bogged down in detail for many readers. It contained a series of rigorous processes and checklists designed to help managers reach strategic decisions.

Ansoff himself came to recognise that too often it resulted in "paralysis by analysis", and in his later work he moved away from this rigid approach, seeking to find ways of introducing flexibility into the planning process. At the same time he abandoned his search for big universal management prescriptions, believing that each organisation has to make strategic decisions on its own, dependent on its own unique environment.

Ansoff divided management decision-making into three: strategic; administrative; and operating, a classification that has been adopted by many subsequent writers. Several of his other ideas were picked up by other gurus and made more famous – competitive advantage (by Michael Porter, see pages 37 and 295), core competence (by Gary Hamel and C.K. Prahalad, see pages 41, 245 and 297) and "sticking to your knitting" (by Tom Peters, see page 293), for example.

In 1974 he moved to Brussels and worked at the European Institute of Advanced Studies in Management, a time that he described as "the most important phase of my intellectual development". Out of this experience he wrote *Strategic Management* (1979). In 1983 he returned to the United States to become professor of strategic management at the United States International University. He also set up his own consulting business in San Diego, southern California.

# Warren Bennis

BORN: 1925

NATIONALITY: American

## **Notable publications**

With Nanus, B., *Leaders: The Strategies for Taking Charge*, Harper & Row, 1985; 2nd edn, HarperBusiness, 1997

*Why Leaders Can't Lead*, Jossey-Bass, 1989

With Thomas, R., *Geeks and Geezers*, Harvard Business School Press, 2002

## **Notable quotations**

*Managers do things right. Leaders do the right thing.*

*I think a lot of the leaders I've spoken to give expression to their feminine side. Many male leaders are almost bisexual in their ability to be open and reflective ... Gender is not the determining factor.*

*Leadership is an endless subject and endlessly interesting because you can never get your conceptual arms fully around it. I always feel rather like a lepidopterist chasing a butterfly.*

## **Background**

Warren Bennis is a laid-back silver-haired professor at the University of Southern California who has been an influential authority on leadership for decades. He has been consulted on the subject by at least four American presidents and by some of the best-known occupants of corporate boardrooms around the world.

His fundamental tenet is that leaders are made, not born. The worst problem they can face, says Bennis, is “early success. There’s no opportunity to learn from adversity and problems”. Other myths about leadership that he dismisses are that it is a rare skill; that leaders are charismatic (most of them are quite ordinary people); and that leaders control and manipulate (they do not; they align the energies of others behind an attractive goal).

Being a leader is very different from being a manager, says Bennis. So being a manager in an organisation is not necessarily the best training

for being the leader of that organisation. But it is the only training that most CEOs get for the job. Managers, however, can learn to be leaders. “I believe in ‘possible selves,’” Bennis has written, “the capacity to adapt and change.”

In *Leaders: The Strategies for Taking Charge*, Bennis lists four competencies that leaders need to develop:

- forming a vision which provides people with a bridge to the future;
- giving meaning to that vision through communication;
- building trust, “the lubrication that makes it possible for organisations to work”;
- searching for self-knowledge and self-regard.

Bennis argues that to become a good leader, a person first has to develop as an individual. In particular that means learning not to be afraid of being seen as vulnerable. Leadership qualities, he maintains, can only emerge from an “integrated self”. Howard Schultz, the founder and chairman of the Starbucks chain of coffee shops, says that Bennis once told him that to become a great leader you have to develop “your ability to leave your own ego at the door, and to recognise the skills and traits that you need in order to build a world-class organisation”.

Bennis has also argued that leaders take a different attitude to failure from run-of-the-mill managers, thinking of it not so much as the end of a phase, but rather the beginning of one imbued with knowledge gained from the failure.

Bennis was greatly influenced by Douglas McGregor (see page 273). In the late 1960s he tried to run the college where he was provost along the lines of McGregor’s Theory Y. But he found that, in practice, it was not possible to leave all staff to their own self-motivating devices. Many people seemed to need more structure and direction than McGregor’s scheme would allow.

# Marvin Bower

BORN: 1903

DIED: 2003

NATIONALITY: American

## **Notable publication**

*The Will to Manage: Corporate Success through Programmed Management*, McGraw-Hill, 1966

## **Notable quotation**

*If you looked after the client, the profits would look after themselves.*

## **Background**

For many years the management consulting business was dominated by one firm. It advised the world's biggest corporations and some of its biggest countries about high-level strategy. So outstanding was it that it became known simply as "The Firm". That firm, McKinsey, was the creation of one man. Not James O. McKinsey, the man whose name hangs over its front door (and who died young of pneumonia in 1937), but Marvin Bower, the most powerful influence on the firm in the 65 years from James McKinsey's death to his own, at the age of 99, in 2003.

Bower modelled the consultancy on the lines of a professional law firm, establishing a set of values by which it was to be guided. For example, clients' interests were supposed to have precedence over growth in the firms' revenues. His approach to consulting was heavily influenced by the legal profession, which had been his first choice of career. After studying at Harvard Law School he applied to work for a firm in Cleveland, where he had been raised. But his grades were not good enough, so he went back to the then young Harvard Business School, gained an MBA and returned to a job with the law firm as a corporate lawyer.

In 1933 he joined McKinsey's fledgling firm when its only office was in Chicago. He then set up a branch in New York and, after McKinsey's death, helped rebuild the company around its New York operation. He was managing director from 1950 to 1967. *BusinessWeek* said of Bower that he was "the very image of America's 'Organisation Man' [see William Whyte, page 321] in the 1950s ... immaculately dressed in a Brooks Brothers

dark suit, a starched white shirt, and a hat". For years he insisted that McKinsey consultants wear hats. He was also famously outspoken and not afraid to confront clients. A colleague once recalled an occasion when he bellowed out, "The problem with this company, Mr Little, is you." "It happened to be totally accurate," added the colleague. "That was the end of our work with that client. But it didn't bother Marvin."

Bower often turned down clients when he did not believe that they were prepared for change. He declined to work for Howard Hughes, for example, and refused to help the American government devise a scheme to bail out American Motors, a car company.

McKinsey's approach to its work – offering high-level strategic advice – has left it vulnerable to the criticism that it does not stick around to follow through the consequences of that advice. It has a reputation for arrogance, sometimes explained away as a manifestation of total concentration on its clients. *The Economist* once wrote of an ex-member of the firm: "He suffers the lack of self-doubt common in former McKinsey consultants."

Several of Bower's alumni became famous in their own right – Tom Peters (see page 293), Kenichi Ohmae (see page 281) and Richard Pascale (see page 289), for instance, are all included separately in this compendium of gurus. Even the next generation of management gurus seems to have benefited from a spell at the Firm. Both Donald Sull (see *Active inertia*, page 7) and Pankaj Ghemawat (see page 239) worked for McKinsey before moving on to academic careers.